

Chairman's Statement

I have pleasure in presenting to the shareholders my report on the operations of the Group for the year .



BUSINESS RESULT

The Group's consolidated profit after taxation for the year ended 31 December 2003 amounted to HK\$264.6 million, representing a decrease of 22.4% from the consolidated profit after taxation of HK\$341.2 million in 2002. The profit per share was 74.3 cents for the year as compared to 95.8 cents in the previous year.

DIVIDENDS

The Board of Directors recommended a final dividend of 20 cents per share to shareholders whose names appear in the Register of Members on 29 April 2004. This dividend, together with the interim dividend of 8 cents per share already paid, will make a total distribution of 28 cents for the full year.

BUSINESS REVIEW

With the Severe Acute Respiratory Syndrome ("SARS") epidemic coming under control in June 2003 and the mainland's policy to grant individuals travel permits to visit Hong Kong, the retail, catering, hotel and travel businesses of Hong Kong rebounded significantly in the second half of the year. Coupled with the establishment of the Closer Economic Partnership Arrangement, the proposal to build the new bridge to Zhuhai and Macau, and the solid implementation of the housing policy, Hong Kong witnessed the return of confidence, resulting in increased consumption as well as recovery of the residential property market.

Chairman's Statement *(Continued)*



During the year under review, the Group has repeatedly adjusted the sale price of residential units of Metro Harbour View in line with market conditions. A total of 680 units has been sold. Profit from sale of residential units of Metro Harbour View remained the primary source of income for the year.

Property Development and Investment Operations

8 Fuk Lee Street ("Metro Harbour View")

During the year, the Group recorded an operating profit of HK\$291.7 million from the sale of residential units of Metro Harbour View based on the stage of completion of the development. Properties sold during the year amounted to approximately HK\$1,158 million, comprising 680 residential units and representing a decrease of about 12% when compared with last year. The accumulated total of residential units sold was about 2,200, leaving a

balance of unsold units of approximately 1,300. The entire development of Metro Harbour View, including the commercial arcade, has been completed in the second half of the year. Phase I and Phase II residential units have been handed over to purchasers in May and November 2003 respectively.

222 Tai Kok Tsui Road

The property, with a site area of about 36,000 sq.ft., will be developed as a residential-cum-commercial project with a total gross floor area of approximately 320,000 sq.ft., comprising approximately 270,000 sq.ft. for residential use and approximately 50,000 sq.ft. for non-residential use. The Company has recently accepted the land premium offer of approximately HK\$390 million from the Lands Department. As the site is already vacant, construction will soon begin.



Chairman's Statement *(Continued)*



43-51A Tong Mi Road

The Group acquired the site of area approximately 6,000 sq.ft. in October 2003. It will be developed into a residential-cum-commercial building with a total gross floor area of approximately 53,000 sq.ft. The total investment of this project will amount to around HK\$125 million. It is anticipated that the project will be completed by the end of 2005. The foundation works have already commenced in February 2004.



6 Cho Yuen Street, Yau Tong

In spite of the fact that the rental market for industrial property remained soft, the average occupancy of the Kingsford Industrial Centre for the year increased to over 90%. Rental income for the year increased by 3.6% to HK\$8.5 million as compared with last year. The Group is negotiating with the Government over the land premium for the change in land use to residential/commercial use with a total gross floor area of approximately 160,000 sq.ft.

Chairman's Statement (Continued)

Ferry, shipyard and related operations

The business of the harbour cruise operation has seen a gradual recovery, boosted by the travel policy governing mainlanders to Hong Kong, but the business of the shipyard operation continued to shrink. The Ferry, Shipyard and Related Operations recorded a decrease in turnover of 4.1% in comparison with last year. Including the impairment loss over the shipyard assets of HK\$17.8 million taken up as in the interim accounts, the operating loss of the Ferry, Shipyard and Related Operations for the year amounted to HK\$27.3 million, against the loss of HK\$68.4 million last year.

Travel and hotel operations

Despite the impact of SARS, the Travel and Hotel Operations recorded only a minor decrease in turnover of 1.7% in comparison with last year. Turnover for the second half of the year increased by about 20.7% when compared with the same period last year. The Travel and Hotel Operations recorded a profit from operation of HK\$3.5 million for the second half of the year, resulting in a net profit from operation of HK\$1.1 million for the year, representing a decrease of 71.0% from HK\$3.8 million last year.

PROSPECTS

Since the PRC Government implemented a series of measures to bolster Hong Kong's economy last year, which include the relaxation of the policy to grant travel permits to Hong Kong, the Closer Economic Partnership Arrangement, and the recent opening up of the Renminbi business to banks in Hong Kong, etc, the local economy and the investment sentiments have improved dramatically.

The substantial liquidity brought into Hong Kong by incoming visitors as well as the increase in economic activities have resulted in an expansion in local money supply. Real consumption also saw a rebound in the third quarter last year – the first time in two years. The relief from deflation will be favorable to the economy and the property market in Hong Kong.

It is expected that the sale price of residential units of Metro Harbour View and the rental income from Metro Harbour Plaza will continue to improve. However, as the number of residential units unsold amounts only to 1,300, the income from the sale of residential units in this project in the future will be relatively less as compared to the total of previous years. As the local economy gradually recovers, your Group will continue to look for future investment opportunities.

ACKNOWLEDGEMENT

On behalf of the shareholders and the Board, I would like to take this opportunity to express appreciation to all our staff for their dedication and hard work during the last year.

Colin K. Y. Lam
Chairman

Hong Kong, 12 March 2004